

**CITY OF GLENWOOD**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2012**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	5-6
Management's Discussion and Analysis	7-11
Basic Financial Statements:	
	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A 13-14
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	B 15-16
Notes to Financial Statements	17-27
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and	
Changes in Balances - Budget and Actual (Cash Basis) –	
All Governmental Funds	29
Notes to Other Information – Budgetary Reporting	30
Supplementary Information:	
	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances - Nonmajor Governmental Funds	1 32
Combining Schedule of Cash Receipts, Disbursements and	
Changes in Cash Balances – Capital Projects Fund	2 33-34
Schedule of Indebtedness	3 35-36
Bond and Note Maturities	4 37-38
Schedule of Receipts by Source and Disbursements by Function –	
All Governmental Funds	5 39-40
Independent Auditors' Report on Internal Control over Financial Reporting	
and on Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance with <i>Government Auditing Standards</i>	42-43
Schedule of Findings	44-47

## City of Glenwood

### Officials

<u>Name</u>	<u>Title</u> <b>(Before January 2012)</b>	<u>Term Expires</u>
Kim Clark	Mayor	January 2012
Allan Christiansen	Council Member	January 2012
Kay LeFever	Council Member	January 2012
Clare Bangs	Council Member	January 2014
Craig Florian	Council Member	January 2014
Susan Hirshman	Council Member	January 2014
Brian Kissel	Director of Finance	Indefinite
Judith L. Groves	City Clerk	Indefinite
Matt Woods	Attorney	January 2012

<u>Name</u>	<u>Title</u> <b>(After January 2012)</b>	<u>Term Expires</u>
Kim Clark	Mayor	January 2014
Clare Bangs	Council Member	January 2014
Craig Florian	Council Member	January 2014
Susan Hirshman	Council Member	January 2014
Cheryl Evans	Council Member	January 2016
Kay LeFever	Council Member	January 2016
Brian Kissel	Director of Finance	Indefinite
Judith L. Groves	City Clerk	Indefinite
Matt Woods	Attorney	January 2014

**City of Glenwood**

December 16, 2012

Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Glenwood, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Glenwood's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Glenwood as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2012 on our consideration of the City of Glenwood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Continued...

City of Glenwood  
Independent Auditors' Report

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Glenwood's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Glenwood's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 11 and 29 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Schroeder & Associates, P.C.*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Glenwood provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

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### **2012 FINANCIAL HIGHLIGHTS**

- The City's total receipts for governmental activities increased approximately \$567,000 from fiscal year 2011 to 2012. Capital grants increased approximately \$273,000 from the prior year, and note proceeds increased \$246,000 from the prior year.
- Disbursements of the City's governmental activities increased approximately \$603,000 from fiscal 2011 to fiscal year 2012. Public safety increased approximately \$218,000, general government increased \$159,000 and capital projects increased approximately \$302,000 from the prior year.
- The City's total cash basis net assets decreased approximately \$92,000 from June 30, 2011 to June 30, 2012.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- The component unit includes activities of the Glenwood Municipal Utilities Board. The City is financially accountable for the utilities although it is legally separate from the City.

### *Fund Financial Statements*

The City's Governmental Funds Only:

Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago from \$2,751,519 to \$2,660,060. The analysis that follows focuses on the changes in cash balances for governmental activities:

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 152	158
Operating grants, contributions and restricted interest	769	789
Capital grants, contributions and restricted interest	295	22
General receipts:		
Property tax	1,894	1,791
Tax increment financing	280	318
Local option sales tax	315	295
Grants and contributions not restricted to specific purpose	6	9
Unrestricted interest on investments	5	10
Other general receipts	-	3
Note proceeds	246	-
Total receipts	3,962	3,395
Disbursements:		
Public safety	1,234	1,016
Public works	653	703
Culture and recreation	500	540
Community and economic development	408	403
General government	483	324
Debt service	395	386
Capital projects	381	79
Total disbursements	4,054	3,451
Change in cash basis net assets	(92)	(56)
Cash basis net assets beginning of year	2,752	2,808
Cash basis net assets end of year	\$ 2,660	2,752

Total governmental activities receipts for the fiscal year were approximately \$3,962,000 compared to \$3,395,000 last year. This increase was due to federal grant funds received for the Railroad Avenue project and note proceeds.

The cost of all governmental activities this year was approximately \$4,054,000 compared to \$3,451,000 last year. This increase was due primarily to the construction costs paid for the Railroad Avenue bridge and the purchase of police equipment.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Glenwood completed the year, its total governmental funds reported a combined fund balance of \$2,660,060, a decrease of \$91,459 from last year's balance of \$2,751,519. The following are the major changes in fund balances of the major funds from the prior year:

The General Fund cash balance decreased \$102,287 to \$501,839 due to the purchase of the new City Hall and engineering fees associated with the renovation.

The Special Revenue, Road Use Tax Fund cash balance decreased \$49,471 to \$139,677. The decrease is due to transfers to the capital projects fund.

The Special Revenue, Employee Benefits Fund cash balance increased \$16,330 to \$370,965 due to less costs paid for health insurance.

The Special Revenue, Tax Increment Financing Fund cash balance decreased \$73,043 to \$(8,940) due to an error in paying the developers the taxes collected.

The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$2,513 to \$629 due to transfers to the Debt Service Fund and the Capital Projects Fund.

The Debt Service Fund decreased \$15,059 to \$22,700 due to debt service payments.

The Capital Projects Fund increased \$128,211 to \$1,248,749 due to the transfer from the Special Revenue, Local Option Sales Tax Fund.

The Permanent Fund, Amphitheater Trust increased \$1,653 to \$306,162 due to interest receipts.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved March 13, 2012, and resulted in an increase in disbursements of \$89,790. The budget was amended to account for purchasing of the new City Hall building.

The City's receipts were \$175,057 less than budgeted. This was due to the City receiving less in miscellaneous receipts than budgeted.

With the amendment, total disbursements were \$2,613 less than budgeted.

## DEBT ADMINISTRATION

At June 30, 2012, the City had approximately \$2,488,600 in general obligation and other long term debt outstanding, compared to \$2,548,592 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
General obligation notes	\$ 2,401	2,524
Loan agreement	7	24
Line of credit	80	-
	<u>\$ 2,488</u>	<u>2,548</u>

The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is within its constitutional debt limit of approximately \$12 million.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Glenwood's elected and appointed officials and citizens consider many factors when setting the budget, tax rates, and fees that will be charged for various City activities. General fund disbursements are reduced as revenues reduce, since the City can not levy over the 8.10 maximum levy on taxable valuations. This does not allow for any increases for inflation.

The major concern in preparing the budget for fiscal year ended June 30, 2013 was the added costs of renovating the new City Hall/Police Department and renovation costs associated with the Library roof.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brian Kissel, Director of Finance, 107 S. Locust, Glenwood, Iowa 51534.

**City of Glenwood**  
**Basic Financial Statements**

City of Glenwood  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2012

	Disbursements	Charges for Service	Program Operating Grants Contributions and Restricted Interest
<b>Functions/Programs:</b>			
<b>Primary Government:</b>			
Governmental activities:			
Public safety	\$ 1,233,575	15,429	91,930
Public works	653,118	51,994	509,326
Culture and recreation	500,481	72,666	140,956
Community and economic development	407,898	10,713	1,000
General government	483,109	1,725	25,819
Debt service	395,232	-	-
Capital projects	381,478	-	-
Total governmental activities	4,054,891	152,527	769,031
<b>Total Primary Government</b>	<b>\$ 4,054,891</b>	<b>152,527</b>	<b>769,031</b>
<b>Component Unit:</b>			
Glenwood Municipal Utilities	\$ 1,769,236	2,025,496	-
<b>General Receipts:</b>			
Property tax levied for:			
General purposes			
Employee benefits			
Debt service			
Tax increment financing			
Local option sales tax			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Miscellaneous			
Sale of assets			
Total general receipts			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
<b>Cash Basis Net Assets</b>			
Restricted:			
Nonexpendable:			
Cemetery perpetual care			
Amphitheater endowment			
Expendable:			
Streets			
Employee benefits			
LOST debt service			
Debt service			
Capital projects			
Amphitheater			
Other purposes			
Unrestricted			
Total cash basis net assets			

See notes to financial statements

Exhibit A

Receipts	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets	
	Primary Government Governmental Activities	Component Unit Glenwood Municipal Utilities
Capital Contributions and Restricted Interest		
-	(1,126,216)	-
-	(91,798)	-
-	(286,859)	-
-	(396,185)	-
-	(455,565)	-
-	(395,232)	-
294,636	(86,842)	-
294,636	(2,838,697)	-
294,636	(2,838,697)	-
-	-	256,260
\$	1,241,940	-
	537,914	-
	114,304	-
	280,360	-
	315,569	-
	6,035	3,335
	4,806	24,628
	246,310	-
	2,747,238	27,963
	(91,459)	284,223
	2,751,519	1,871,915
\$	2,660,060	2,156,138
\$	64,189	-
	299,906	-
	139,677	-
	370,965	-
	629	-
	22,700	-
	1,216,316	-
	6,256	-
	14,094	-
	525,328	2,156,138
\$	2,660,060	2,156,138

City of Glenwood  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2012

	General	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment
<b>Receipts</b>				
Property tax	\$ 1,193,602	-	527,887	-
Tax increment financing collections	-	-	-	280,360
Other city tax	48,338	-	10,027	-
Licenses and permits	12,976	-	-	-
Use of money and property	7,879	-	-	-
Intergovernmental	103,979	503,176	-	-
Charges for service	104,757	-	-	-
Special assessments	7,752	-	-	-
Miscellaneous	117,610	-	4,531	-
Total receipts	1,596,893	503,176	542,445	280,360
<b>Disbursements</b>				
Operating:				
Public safety	993,181	-	240,394	-
Public works	329,055	180,685	128,306	-
Culture and recreation	395,221	-	100,423	-
Community and economic development	39,181	-	15,314	353,403
General government	443,431	-	39,678	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	2,200,069	180,685	524,115	353,403
Excess (deficiency) of receipts over (under) disbursements	(603,176)	322,491	18,330	(73,043)
Other financing sources (uses):				
Note proceeds	246,310	-	-	-
Operating transfers in	277,000	-	-	-
Operating transfers out	(22,421)	(371,962)	-	-
Total other financing sources (uses)	500,889	(371,962)	-	-
Net change in cash balances	(102,287)	(49,471)	18,330	(73,043)
Cash balances beginning of year	604,126	189,148	352,635	64,103
Cash balances end of year	\$ 501,839	139,677	370,965	(8,940)
<b>Cash Basis Fund Balances</b>				
Nonspendable:	\$			
Cemetery perpetual care	-	-	-	-
Amphitheater endowment	-	-	-	-
Restricted for:				
Streets	-	139,677	-	-
Employee benefits	-	-	370,965	-
LOST debt service	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Amphitheater	-	-	-	-
Other purposes	-	-	-	-
Assigned for capital projects	-	-	-	-
Unassigned	501,839	-	-	(8,940)
Total cash basis fund balances	\$ 501,839	139,677	370,965	(8,940)

See notes to financial statements

**Exhibit B**

Local Option Sales Tax	Debt Service	Capital Projects	Permanent Amphitheater Trust	Other Nonmajor Governmental Funds	Total
-	112,285	-	-	-	1,833,774
-	-	-	-	-	280,360
315,569	2,019	-	-	-	375,953
-	-	-	-	-	12,976
-	-	3,398	1,653	-	12,930
65,366	-	291,238	-	-	963,759
-	-	-	-	170	104,927
-	-	-	-	-	7,752
-	-	-	-	2,550	124,691
380,935	114,304	294,636	1,653	2,720	3,717,122
-	-	-	-	-	1,233,575
-	-	15,072	-	-	653,118
-	-	4,837	-	-	500,481
-	-	-	-	-	407,898
-	-	-	-	-	483,109
-	395,232	-	-	-	395,232
-	-	381,478	-	-	381,478
-	395,232	401,387	-	-	4,054,891
380,935	(280,928)	(106,751)	1,653	2,720	(337,769)
-	-	-	-	-	246,310
-	265,869	234,962	-	-	777,831
(383,448)	-	-	-	-	(777,831)
(383,448)	265,869	234,962	-	-	246,310
(2,513)	(15,059)	128,211	1,653	2,720	(91,459)
3,142	37,759	1,120,534	304,509	75,563	2,751,519
629	22,700	1,248,745	306,162	78,283	2,660,060
-	-	-	-	64,189	64,189
-	-	-	299,906	-	299,906
-	-	-	-	-	139,677
-	-	-	-	-	370,965
629	-	-	-	-	629
-	22,700	-	-	-	22,700
-	-	1,216,316	-	-	1,216,316
-	-	-	6,256	-	6,256
-	-	-	-	14,094	14,094
-	-	32,429	-	-	32,429
-	-	-	-	-	492,899
629	22,700	1,248,745	306,162	78,283	2,660,060



City of Glenwood  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies**

The City of Glenwood is a political subdivision of the State of Iowa located in Mills County and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services.

**A. Reporting Entity**

For financial reporting purposes, the City of Glenwood has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Glenwood (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

**Discretely Presented Component Unit**

Glenwood Municipal Utilities is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The officials of the Utilities are appointed by the City Council and the operating budget adoption process of the Utilities is subject to the approval of the City Council.

City of Glenwood  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies - Continued**

A. Reporting Entity - Continued

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the Mills County Assessor's Conference Board, Mills County Emergency Management Commission, Mills County E911 Board, and Iowa Waste System Association.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities are supported by tax and intergovernmental revenues.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

City of Glenwood  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for property taxes levied to pay employee benefits.

The Urban Renewal Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and used for the community recreation center.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those financed through enterprise funds.

The Permanent Fund – Davies Amphitheater is used to report resources that are legally restricted to the extent that only earnings and not principal may be used to support the activities of the amphitheater.

City of Glenwood  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies – Continued**

C. Measurement Focus and Basis of Accounting

The City of Glenwood maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

City of Glenwood  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies – Continued**

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the budgeted amounts in the public safety, community and economic development, general government and debt service functions.

**F. Property Tax Calendar**

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2010, to compute the amounts which became liens on property on July 1, 2011. These taxes were due and payable in two installments on September 30, 2011 and March 31, 2012, at the Mills County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 40.

The City's cash and investments at June 30, 2012 totaled \$2,660,060.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the need and use of the City.

City of Glenwood  
Notes to Financial Statements  
June 30, 2012

**NOTE (3) Bonds and Notes Payable**

Annual debt service requirements to maturity of general obligation debt are as follows:

Year Ended June 30,	<b>General Obligation Bonds &amp; Notes</b>	
	Principal	Interest
2013	\$ 325,050	\$ 96,233
2014	301,478	83,792
2015	222,943	71,727
2016	212,039	63,371
2017	200,000	55,578
2018-2022	<u>1,140,000</u>	<u>148,334</u>
Total	<u>\$ 2,401,510</u>	<u>\$ 519,035</u>

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund. The principal and interest on general obligation sales tax bonds are to be paid from the local option sales tax funds collected.

The City has a general obligation debt limit of approximately \$12,000,000 which was not exceeded during the year ended June 30, 2012.

**NOTE (4) Loan Agreement**

On August 1, 1997, the City entered into a loan agreement with a private individual for \$144,000 to purchase a building. The loan is due in monthly payments of \$1,535, including interest at 10%, with final payment due August 2012. Annual debt service requirements are as follows:

Year Ended June 30,	<b>General Obligation Bonds &amp; Notes</b>	
	Principal	Interest
2013	\$ <u>6,781</u>	\$ <u>57</u>

**NOTE (5) Line of Credit**

The City signed a line of credit in December 2011 for \$200,000 at 2.60% due December 13, 2012. An advance of \$80,310 was made on the line of credit for the purpose of purchasing a municipal building. The balance outstanding at June 30, 2012 is \$80,310.

City of Glenwood  
Notes to Financial Statements  
June 30, 2012

**NOTE (6) Lease Agreement**

The City leases copy machines under operating lease agreements. Rent expense for the year ended June 30, 2012 was \$1,644. The future required minimum lease payments are as follows:

Year ending June 30,	Amount
2013	\$ 1,644
2014	685
	<u>\$ 2,329</u>

**NOTE (7) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010, were \$96,502, \$89,092, and \$77,834, respectively, equal to the required contributions for each year.

**NOTE (8) Other Postemployment Benefits (OPEB)**

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. At June 30, 2012, there are 22 active members and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. The City pays a portion of the premium for retirees, which results in an explicit subsidy and an OPEB liability. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$388 for single coverage and \$1,160 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City made an implicit contribution of approximately \$945 to the plan. The retired plan members eligible for benefits contributed \$1,890 to the plan.

City of Glenwood  
Notes to Financial Statements  
June 30, 2012

**NOTE (9)    Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2012, primarily relating to the General Fund is \$36,346. This liability is computed on rates of pay effective as of June 30, 2012.

Sick leave is payable when used or for certain employees upon retirement. Employees retiring after 15 years of service may receive one-half of their unused accumulated sick leave based on the effective hourly rate for that employee. For each additional year of service, the employee shall receive 2% additional sick leave per year. There are two employees eligible for this termination benefit. The approximate liability at June 30, 2012 for sick leave conversion payable upon retirement to these employees is \$21,150. There were no termination benefits paid for the year ended June 30, 2012.

**NOTE (10)    Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Road Use Tax	\$ 277,000
Debt Service	General	22,421
	Special Revenue: Local Option Sales Tax	243,448
		<u>265,869</u>
Capital Projects:	Special Revenue: Road Use Tax	94,962
	Local Option Sales Tax	140,000
		<u>234,962</u>
		\$ <u>777,831</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.



City of Glenwood  
Notes to Financial Statements  
June 30, 2012

**NOTE (11) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2012 were \$59,938.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

City of Glenwood  
Notes to Financial Statements  
June 30, 2012

**NOTE (11) Risk Management – Continued**

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries workmen's compensation insurance purchased from a commercial vendor. The City assumes liability for any deductions, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE (12) Commitments**

YMCA Operating Agreement

The YMCA and the City of Glenwood have a joint operating agreement regarding a recreation facility for a period of 15 years. The YMCA is responsible for operation, maintenance, utilities and insurance of the facility. The City of Glenwood will contribute before July 15 of the following year \$50,000 each year for the first three years, up to \$50,000 each year for the next two years for operating deficits, and up to \$50,000 for each year for the next five years for operating deficits to the extent of one half of the excess revenue received by the City for local option sales tax. A full year is defined as January 1 through December 31 effective January 1, 2006. The City paid the YMCA \$26,563 in November 2012.

Recycling Agreement

The City has contracted for recycling services at \$1.25 per month per water customer through December 2012. The annual cost approximates \$35,000.

City of Glenwood  
Notes to Financial Statements  
June 30, 2012

**NOTE (13) Urban Renewal Development Agreements**

The City has entered into agreements with developers to construct certain public improvements related to the development of Urban Renewal Areas. In exchange, the City has agreed to pay the developers for these costs, plus interest.

These agreements are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund, and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa.

Mintle Agreement

The City has agreed to pay the developer a total of \$400,000 plus interest at 7% per annum. Principal and interest are due December 1 and June 1, with final payment due June 2013. The City paid the developer \$39,100 during the year ended June 30, 2012.

Hughes Agreements

The City has agreed to pay the developer a total of \$369,669 plus interest at 5% per annum. Principal and interest payments are due December 1 and June 1, with final payment due June 2016. The City paid the developer \$109,207 during the year ended June 30, 2012.

The City has agreed to pay the developer a total of \$890,000 plus interest at 7% per annum. Principal and interest payments are due December 1 and June 1, with final payment due June 2019. The City paid the developer \$172,688 during the year ended June 30, 2012.

Osterloh and New Century Building Company LLC Agreement

The City has agreed to pay the developer a total of \$245,000 plus interest at 7% per annum. Principal and interest are due December 1 and June 1, with final payment due June 2019. The City paid the developer \$31,115 during the year ended June 30, 2012.

**NOTE (14) Reciprocal Services with its Component Unit**

The City and its component unit, Glenwood Municipal Utilities, have an arrangement in which the City provides office space to the Utilities at no cost and the Utilities provides water and sewer to all City owned and operated facilities at no cost. In addition, the Utilities invoice and collect for recycling fees and remit all monies received to the City.

**NOTE (15) Deficit Balance**

The Special Revenue Fund, Urban Renewal Tax Increment Account had a deficit balance of \$8,940 at June 30, 2012. The deficit balance was a result of overpayment of tax increment financing collections to the developers. The deficit will be eliminated with an adjustment in next year's payments.

### **Other Information**

City of Glenwood  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds  
 Other Information  
 Year ended June 30, 2012

	Governmental Funds Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts				
Property tax	\$ 1,833,774	1,785,691	1,791,942	41,832
Tax increment financing collections	280,360	335,616	335,616	(55,256)
Other city tax	375,953	336,314	308,100	67,853
Licenses and permits	12,976	22,475	23,300	(10,324)
Use of money and property	12,930	76,011	39,391	(26,461)
Intergovernmental	963,759	1,061,543	956,073	7,686
Charges for service	104,927	116,830	116,330	(11,403)
Special assessments	7,752	7,000	11,181	(3,429)
Miscellaneous	124,691	148,125	311,994	(187,303)
Total receipts	3,717,122	3,889,605	3,893,927	(176,805)
Disbursements				
Public safety	1,233,575	1,083,419	1,174,654	(58,921)
Public works	653,118	783,760	716,708	63,590
Culture and recreation	500,481	695,864	531,342	30,861
Community and economic development	407,898	407,650	407,650	(248)
General government	483,109	334,800	350,680	(132,429)
Debt service	395,232	405,659	371,809	(23,423)
Capital projects	381,478	170,000	426,099	44,621
Business type activities	-	8,000	-	-
Total disbursements	4,054,891	3,889,152	3,978,942	(75,949)
Excess (deficiency) of receipts over (under) disbursements	(337,769)	453	(85,015)	(252,754)
Other financing sources, net	246,310	(663,725)	-	246,310
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(91,459)	(663,272)	(85,015)	(6,444)
Balances beginning of year	2,751,519	2,808,154	2,751,516	3
Balances end of year	\$ 2,660,060	2,144,882	2,666,501	(6,441)

See accompanying independent auditors' report.

City of Glenwood  
Notes to Other Information – Budgetary Reporting  
June 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Permanent Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$89,790. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the final budgeted amounts in the public safety, community and economic development, general government and debt service functions.

### **Supplementary Information**

City of Glenwood  
 Schedule of Cash Receipts, Disbursements  
 and Changes in Cash Balances  
 Nonmajor Governmental Funds  
 As of and for the year ended June 30, 2012

	Special Revenue		Permanent Cemetery Perpetual Care	Total
	Asset Forfeitures	Library Trust		
Receipts:				
Charges for services	\$ 170	-	-	170
Miscellaneous	-	-	2,550	2,550
Total receipts	170	-	2,550	2,720
Cash balances beginning of year	217	13,707	61,639	75,563
Cash balances end of year	\$ 387	13,707	64,189	78,283

**Cash Basis Fund Balances**

Nonspendable – cemetery perpetual care	\$ -	-	64,189	64,189
Restricted for other purposes	387	13,707	-	14,094
Total cash basis fund balances	\$ 387	13,707	64,189	78,283

See accompanying independent auditors' report



City of Glenwood  
Combining Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Capital Projects Fund  
As of and for the year ended June 30, 2012

	Community Recreation Center	Pool	Hazel Street Bridge	Railroad Avenue
Receipts:				
Use of money and property	\$ 3,398	-	-	-
Intergovernmental	-	-	11,238	280,000
Total receipts	<u>3,398</u>	<u>-</u>	<u>11,238</u>	<u>280,000</u>
Disbursements:				
Public works	-	-	-	-
Culture and recreation	4,837	-	-	-
Capital projects	-	-	3,468	378,010
	<u>4,837</u>	<u>-</u>	<u>3,468</u>	<u>378,010</u>
Excess (deficiency) of receipts over (under) disbursements	(1,439)	-	7,770	(98,010)
Other financing sources:				
Operating transfers in	140,000	-	-	98,010
Operating transfers out	-	-	(7,770)	-
	<u>140,000</u>	<u>-</u>	<u>(7,770)</u>	<u>98,010</u>
Net change in cash balances	138,561	-	-	-
Cash balances beginning of year	<u>1,077,755</u>	<u>18,875</u>	<u>-</u>	<u>-</u>
Cash balances end of year	<u>\$ 1,216,316</u>	<u>18,875</u>	<u>-</u>	<u>-</u>
<b>Cash Basis Fund Balances</b>				
Restricted	\$ 1,216,316	-	-	-
Assigned	-	18,875	-	-
	<u>\$ 1,216,316</u>	<u>18,875</u>	<u>-</u>	<u>-</u>

See accompanying independent auditors' report

## Schedule 2

<u>Sidewalk Fund</u>	<u>Park</u>	<u>Cemetery</u>	<u>Total</u>
-	-	-	3,398
-	-	-	291,238
-	-	-	294,636
15,072	-	-	15,072
-	-	-	4,837
-	-	-	381,478
15,072	-	-	401,387
(15,072)	-	-	(106,751)
4,722	-	-	242,732
-	-	-	(7,770)
4,722	-	-	234,962
(10,350)	-	-	128,211
10,350	7,000	6,554	1,120,534
-	7,000	6,554	1,248,745
-	-	-	1,216,316
-	7,000	6,554	32,429
-	7,000	6,554	1,248,745

City of Glenwood  
Schedule of Indebtedness  
Year ended June 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds and notes:			
Street improvement and refunding	Mar 1, 1999	4.10 - 4.60 %	\$ 995,000
Local Option Sales Tax	Jun 15, 2005	3.70 - 4.25 %	3,000,000
Fire equipment	Dec 23, 2009	2.50 %	104,998
Police equipment	Jul 15, 2011	3.50 %	166,000
Total			
Loan agreement:			
Building	Aug 1, 1997	10.00 %	\$ 144,000
Line of credit	Dec 13, 2011	2.60%	\$ 200,000

See accompanying independent auditors' report

## Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 255,000	-	80,000	175,000	11,608	-
2,200,000	-	155,000	2,045,000	88,448	-
69,999	-	34,999	35,000	1,756	-
-	166,000	19,490	146,510	2,931	-
<u>\$ 2,524,999</u>	<u>166,000</u>	<u>289,489</u>	<u>2,401,510</u>	<u>104,743</u>	<u>-</u>
\$ 23,593	-	16,812	6,781	1,604	-
\$ -	80,310	-	80,310	-	-

City of Glenwood  
Bond and Note Maturities  
June 30, 2012

Ending June 30,	General Obligation Bonds and					
	Street Improvement and Refunding Notes		Local Option Sales Tax		Fire Equipment	
	Issued Mar 1, 1999		Issued Jun 15, 2005		Issued Dec 23, 2009	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2013	4.55 %	\$ 85,000	3.80 %	\$ 165,000	2.50 %	\$ 35,000
2014	4.60 %	90,000	3.80 %	170,000	-	-
2015	-	-	3.80 %	180,000	-	-
2016	-	-	3.90 %	190,000	-	-
2017	-	-	4.00 %	200,000	-	-
2018	-	-	4.10 %	205,000	-	-
2019	-	-	4.15 %	215,000	-	-
2020	-	-	4.15 %	230,000	-	-
2021	-	-	4.20 %	240,000	-	-
2022	-	-	4.25 %	250,000	-	-
Total		\$ 175,000		\$ 2,045,000		\$ 35,000

See accompanying independent auditors' report

**Notes**

Police Equipment			
Issued Dec 23, 2009			
Interest			
Rate		Amount	Total
3.50 %	\$	40,050	\$ 325,050
3.50 %		41,478	301,478
3.50 %		42,943	222,943
3.50 %		22,039	212,039
-		-	200,000
-		-	205,000
-		-	215,000
-		-	230,000
-		-	240,000
-		-	250,000
	\$	<u>146,510</u>	\$ <u>2,401,510</u>

City of Glenwood  
Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds  
For the Last Eight Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts			
Property tax	\$ 1,833,774	1,732,241	1,733,925
Tax increment financing collections	280,360	318,478	237,888
Other city tax	375,953	362,373	340,493
Licenses and permits	12,976	11,125	12,069
Use of money and property	12,930	33,437	46,433
Intergovernmental	963,759	685,381	1,243,683
Charges for service	104,927	109,384	115,290
Special assessments	7,752	7,930	11,992
Miscellaneous	<u>124,691</u>	<u>133,009</u>	<u>127,359</u>
Total	\$ <u>3,717,122</u>	<u>3,393,358</u>	<u>3,869,132</u>
Disbursements			
Operating:			
Public safety	\$ 1,233,575	1,016,920	960,371
Public works	653,118	703,559	655,840
Culture and recreation	500,481	540,160	513,682
Community and economic development	407,898	403,035	290,612
General government	483,109	323,585	313,107
Debt service	395,232	386,496	410,119
Capital projects	<u>381,478</u>	<u>79,238</u>	<u>741,718</u>
Total	\$ <u>4,054,891</u>	<u>3,452,993</u>	<u>3,885,449</u>

See accompanying independent auditors' report.

**Schedule 5**

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
1,626,372	1,566,544	1,675,606	1,526,033	1,374,290
201,662	100,298	90,708	79,780	102,612
356,355	340,142	347,326	306,223	287,214
19,422	27,393	62,214	32,613	4,000
74,747	96,372	85,453	76,937	35,445
674,721	613,467	606,625	1,909,060	682,825
104,755	97,376	95,072	101,220	142,360
17,810	19,261	47,397	23,923	25,676
151,181	162,733	276,654	458,035	329,261
<u>3,227,025</u>	<u>3,023,586</u>	<u>3,287,055</u>	<u>4,513,824</u>	<u>2,983,683</u>
928,436	922,336	970,456	823,700	788,864
671,310	574,713	603,563	567,186	633,840
536,323	535,284	478,962	477,647	438,921
261,057	50,811	49,411	59,025	55,226
292,127	317,811	295,781	297,993	316,465
429,942	543,462	465,912	424,435	223,664
91,396	43,420	709,384	3,698,967	567,880
<u>3,210,591</u>	<u>2,987,837</u>	<u>3,573,469</u>	<u>6,348,953</u>	<u>3,024,860</u>



**City of Glenwood**

December 16, 2012

Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Glenwood, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 16, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of City of Glenwood is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Glenwood's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Glenwood's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Glenwood's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

Continued...

City of Glenwood  
Independent Auditors' Report on  
Internal Control and Compliance

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-12 through I-C-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items I-D-12 and I-E-12 to be significant deficiencies.

Compliance

As part of obtaining reasonable assurance about whether the City of Glenwood's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Glenwood's response to our finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's response, we did not audit City of Glenwood's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Glenwood and other parties to whom the City of Glenwood may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Glenwood during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schroer & Associates, P.C.*

City of Glenwood  
Schedule of Findings  
Year Ended June 30, 2012

**Part I: Findings Related to the Financial Statements:**

**I-A-12 Financial Reporting**

Comment – During the audit, we identified a material amount of receipts that were directly deposited into the bank but were not recorded in the books. We also noted some misclassifications of revenue receipts. Adjustments were subsequently made by the City to properly include and correct amounts in the financial statements.

Recommendation – Bank reconciliation errors should be identified and corrected on a monthly basis. Deposits that are made directly to the bank should be identified and reported in the City's books. Procedures should be established to ensure receipts are classified to the proper fund.

Response – We will double check this in the future as we do our bank reconciliations. Bank deposits will be reconciled with book deposits monthly. We will establish controls to review account coding of receipts.

Conclusion – Response accepted.

**I-B-12 Investment Record**

Comment – The City maintained an investment register but the information was not accurately updated to include the redemption and purchases made during the year.

Recommendation – The City should update the register monthly with identifying numbers, date of purchase, interest rate, maturity and date of sale, when applicable, for each investment.

Response – We will review procedures to update investment records accurately.

Conclusion – Response accepted.

**I-C-12 Record Retention**

Comment – The City did not properly complete and retain all monthly reports and records required. Bank statements could not be located in one file. Bank reconciliations and Clerk/Treasurer reports were not properly prepared and retained on a monthly basis.

Recommendation – The City should complete all required monthly reports and file in an orderly manner.

Response – We will review procedures to complete and file required reports monthly.

Conclusion – Response accepted.

City of Glenwood  
Schedule of Findings  
Year Ended June 30, 2012

**Part I: Findings Related to the Financial Statements - Continued:**

**I-D-12 Disbursements**

Comment – Invoices and other supporting documentation were not always available to support disbursements.

Recommendation – All disbursements should be supported by invoices or supporting documentation.

Response – We misfiled some items during the move. We will file all warrants with supporting invoice or documentation in a numerical sequence by month.

Conclusion – Response accepted.

**I-E-12 Credit Cards**

Comment – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – Although we have not established a formal written policy detailing specifics on the use of City credit cards, we have unwritten guidelines. We will review procedures and guidelines and establish a written policy.

Conclusion – Response accepted.

City of Glenwood  
Schedule of Findings  
June 30, 2012

**Part II: Other Findings Related to Statutory Reporting:**

II-A-12     Certified Budget

Comment- Disbursements during the year ended June 30, 2012 exceeded the amended budgeted amounts for the public safety, community and economic development and debt service functions. Notice of the public hearing to amend the budget was not published in accordance with Chapter 384.16 of the Code of Iowa.

Recommendation – The budget should be amended in sufficient amounts as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Notice of the public hearing reflecting the budget amendment should be properly made.

Response – We will do this in the future.

Conclusion – Response accepted.

II-B-12     Entertainment Expense

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12     Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-12     Business Transactions

No business transactions were noted between the City and City officials or employees.

II-E-12     Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Glenwood  
Schedule of Findings  
June 30, 2012

**Part II: Other Findings Related to Statutory Reporting Continued:**

II-F-12     Council Minutes

Comment - No transactions were found that we believe should have been approved in the Council minutes but were not. Although minutes of Council proceedings were published, they were not always published (or posted) within 15 days of the meeting, as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should publish all required information timely.

Response - We will make publications as required.

Conclusion - Response accepted.

II-G-12     Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-12     Revenue Note

The City has no revenue debt.

II-I-12     Financial Condition

Comment - The Special Revenue Fund, Urban Renewal Tax Increment had a deficit balance of \$8,940 at June 30, 2012.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - The deficit was a result of overpayment of tax increment financing collections to the developers. The deficit will be eliminated with an adjustment in next year's payments.

Conclusion - Response accepted.